

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02
CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04
CEA-01 PA-01 PRS-01 /083 W
-----261024Z 049346 /11

R 260845Z JAN 77
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC 6205
INFO AMEMBASSY ATHENS
USMISSION EC BRUSSELS
USMISSION OECD PARIS
AMCONSUL ADANA
AMCONSUL ISTANBUL
AMCONSUL IZMIR

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E.O.11652: N/A
TAGS: EFIN, TU
SUBJECT: GOT EXPLORES CONVERSION OF SHORT-TERM DEBT TO MEDIUM TERM

SUMMARY. GOVERNOR OF TURKISH CENTRAL BANK IS EXPLORING POSSIBILITY OF CONVERTING TURKEY'S HEAVY SHORT-TERM DEBT TO MEDIUM-TERM. HE ALSO HOPES TO EXPAND MEDIUM-TERM FOREIGN BORROWING FOR DEVELOPMENT. BEFORE HE CAN ANNOUNCE CONVERSION PLAN, GOVERNOR SEES NEED TO RAISE \$500-600 MILLION TO PAY OFF SHORT-TERM LOANS THAT CREDITORS MIGHT NOT WISH TO EXTEND. GOVERNOR PLANS VISIT US IN MID-FEBRUARY, WHERE HE IS SCHEDULED TO MEET DAVID ROCKEFELLER OF CHASE MANHATTAN WHO HAS URGED HIM TO PUT TOGETHER WIDE SHOW OF SUPPORT FROM FRENCH, SWISS, GERMAN, AND JAPANESE BANKS AS WELL AS AMERICAN. THERE IS NO DOUBT THAT TASK WILL BE DIFFICULT TO ACCOMPLISH. TURKS HAVE ALREADY MADE MODEST START IN BUILDING UP RESERVES THROUGH COMBINATION OF LUCK AND SPECIAL MEASURES. MOREOVER, RECENT RELAXA-
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TION OF RESTRICTIONS ON FOREIGN BORROWING IS DESIGNED TO FACILITATE INFLOW OF FOREIGN EXCHANGE, AND CENTRAL BANK ITSELF IS CONSIDERING BORROWING IN INTERNATIONAL MARKETS.
END SUMMARY.

1. GOVERNOR OF TURKISH CENTRAL BANK, TAYYAR SADIKLAR, IS ACTIVELY EXPLORING POSSIBILITY OF CONVERTING TURKEY'S SHORT-

TERM DEBT, CURRENTLY AMOUNTING TO \$1.7 BILLION, TO MEDIUM-TERM OBLIGATIONS AND OF EXPANDING ITS FOREIGN BORROWING IN MEDIUM-TERM RANGE. SADIKLAR PROVIDED THIS INFORMATION TO FORMER AMBASSADOR RIDGWAY KNIGHT, NOW DIRECTOR, INTERNATIONAL RELATIONS (EUROPE) FOR CHASE MANHATTAN BANK, AND TO E/C COUNSELOR DURING RECENT CALL AT GOVERNOR'S OFFICE. ONE WAY OF PROCEEDING WOULD BE FOR FINANCE MINISTER TO ANNOUNCE IN OFFICIAL GAZETTE THAT, EFFECTIVE ON A PARTICULAR DATE, GOT WOULD NOT ACCEPT CONVERTIBLE CURRENCY DEPOSITS OF LESS THAN THREE YEARS' MATURITY, FOR EXAMPLE, SADIKLAR SAID. NOTICE WOULD INFORM LENDERS OF OPTION TO CALL IN THEIR SHORT-TERM DEPOSITS AT MATURITY OR TO EXTEND THEM TO THREE YEARS OR WHATEVER MATURITY IS ESTABLISHED.

2. GOVERNOR SAID TURKEY COULD TAKE THIS STEP ONLY IF IT HAD SUFFICIENTLY STRONG RESERVE POSITION TO HANDLE RECALL OF A CERTAIN VOLUME OF SHORT-TERM LOANS AT MATURITY THAT BORROWERS MIGHT NOT WISH TO EXTEND. RESERVE LEVEL ITSELF AND GENERAL ECONOMIC HEALTH OF COUNTRY WOULD INFLUENCE THIS FIGURE, WHICH SADIKLAR GUESSED MIGHT BE \$500-600 MILLION IN FIRST YEAR.

3. SADIKLAR PLANS TO VISIT US FEBRUARY 14-19 TO CALL ON BANKERS, INCLUDING DAVID ROCKEFELLER OF CHASE MANHATTAN, WHO SUGGESTED TRIP AND IS ENCOURAGING SADIKLAR'S EFFORT. JACK KNIPPENBERG, CHASE MANHATTAN VICE PRESIDENT WHO VISITED EMBASSY JANUARY 19, ADDED THAT AT URGING OF ROCKEFELLER, SADIKLAR WILL BE VISITING 6-8 BANKS IN NEW YORK AND BANKS IN CHICAGO AND CALIFORNIA AS WELL. LIMITED OFFICIAL USE

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ROCKEFELLER, KNIPPENBERG SAID, HAD TOLD SADIKLAR THAT CHASE WOULD CONTRIBUTE TO TURKISH EFFORT IF SADIKLAR COULD PUT TOGETHER WIDESPREAD SHOW OF SUPPORT FROM AMERICAN, FRENCH, SWISS, WEST GERMAN, AND JAPANESE BANKS. KNIPPENBERG UNDERSTOOD THAT SADIKLAR WOULD, IN FACT, BE TRYING TO PUT TOGETHER TOTAL PACKAGE WORTH \$500 MILLION TO \$1 BILLION, AN INCREASE OVER SADIKLAR'S OWN STATEMENT THAT APPEARS TO INCLUDE DEVELOPMENT LOANS AND AN EXTENSION OF HIS PLANS OVER TIME.

4. IN PAST TWO MONTHS GOT HAS SUCCEEDED IN MODEST WAY TO PUSH UP RESERVES BY COMBINATION OF LUCK AND SPECIAL MEASURES. ON DECEMBER 3, OFFICIAL GOLD AND FOREIGN EXCHANGE RESERVES REGISTERED BELOW \$700 MILLION, SOME \$337 MILLION UNDER LEVEL OF DECEMBER 31, 1975. ON JANUARY 7, THEY HAD RISEN TO \$977 MILLION. YAVUZ CANEVI, DIRECTOR GENERAL (FOREIGN EXCHANGE), CENTRAL BANK, WHO WILL ACCOMPANY GOVERNOR, TOLD E/C COUNSELOR THAT INCREASE HAD BEEN DUE TO SEVERAL FACTORS:

--UNEXPECTEDLY HIGH WORKER REMITTANCES AT END OF
1976 (CONTINUING STRONG INTO JANUARY);
-- ACTION BY GOT TO CURB IMPORT DEMANDS OF PUBLIC
SECTOR;
-- GOOD EXPORTS OF TOBACCO IN DECEMBER, PARTICULARLY
THOSE DENOMINATED IN CANADIAN DOLLARS WHEN FAVORABLE
EXCHANGE RATE EXISTED;
-- CENTRAL BANK STAND-BY BORROWING OF \$150 MILLION
FROM BANK OF INTERNATIONAL SETTLEMENTS;
--SLOW-DOWN IN PAYMENTS OF TURKISH FOREIGN EXCHANGE
OBLIGATIONS AT YEAR END;
-- SUBSTANTIAL USE OF OVERDRAFT FACILITIES AT YEAR
END.

FOREIGN RESERVES WILL BE FURTHER PROTECTED WHEN SYNDI-
CATED ACCEPTANCE CREDIT ARRANGED BY WELLS FARGO BANK IS
SIGNED IN SAN FRANCISCO AT END OF MONTH. (WELLS FARGO
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HAS APPARENTLY BEEN UNABLE TO PUT TOGETHER \$200 MILLION
PACKAGE ORIGINALLY PLANNED; AMOUNT NOW FORESEEN IS ONLY
\$160 MILLION.)

5. IN NEW EFFORT TO INCREASE INFLOW OF FOREIGN EXCHANGE,
GOT PUBLISHED DECREE JANUARY 19 RELAXING CERTAIN PREVIOUS
RESTRICTIONS ON FOREIGN BORROWING. UNDER NEW DECREE,
PRIVATE FIRMS MAY BORROW DIRECTLY IN FOREIGN MONEY
MARKETS. FOREIGN FUNDS SO OBTAINED MAY BE USED FOR
FIRST TIME FOR INTERNAL INVESTMENTS AND OPERATIONS
WITHOUT PRIOR APPROVAL OF GOT; BORROWERS MUST, HOWEVER,
CONTINUE TO OBTAIN GOT APPROVAL FOR EXTERNAL USE OF
FUNDS BORROWED FROM ABROAD. CANEVI SAID A NUMBER OF
PRIVATE FIRMS HAVE BEEN URGING FINANCE MINISTRY TO
PERMIT THEM TO GO DIRECTLY TO EUROMARKET.

6. ONE ADDITIONAL MEANS OF INCREASING INFLOW OF FOREIGN
EXCHANGE PRESENTLY UNDER STUDY, ACCORDING TO SADIKLAR,
IS POSSIBILITY THAT CENTRAL BANK ITSELF MAY BECOME
BORROWER IN INTERNATIONAL MONEY MARKETS. SOME PRIVATE
BANKS HAVE SUGGESTED THAT PRESTIGE OF CENTRAL BANK
COULD FACILITATE BORROWING.

7. COMMENT. GOT IS, OFCOURSE, CONCERNED WITH ITS
POTENTIAL VULNERABILITY TO SUDDEN DECISION
BY HOLDERS OF TURKEY'S SORT-TERM DEBT NOT TO ROLL IT OVER.
SADIKLAR WOULD LIKE TO FILL GAP IN INVESTMENT FUNDS WITH MORE
STABLE MEDIUM-TERM FOREIGN LOANS. FOREIGN BORROWING IS
CRITICAL TO MAINTAINING THE 7-8 PERCENT ANNUAL GROWTH
RATE NECESSARY TO PREVENT RISE OF UNEMPLOYMENT TO
SOCIALY INTOLERABLE LEVEL. WHETHER SADIKLAR WILL

SUCCEED IN PUTTING TOGETHER LOANS WORTH \$500-600 MILLION,
TO SAY NOTHING OF \$1 BILLION, IS UNCLEAR AT THIS POINT.
FAILURE OF WELLS FARGO TO REACH TARGET OF \$200 MILLION
FOR ITS WIDELY PUBLICIZED ACCEPTANCE CREDIT FOR TURKEY
WILL NOT MAKE GOVERNOR'S TASK EASIER. SADIKLAR IS WELL
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AWARE OF DIFFICULTY OF JOB BEFORE HIM. HE KNOWS, HOWEVER,
THAT ONE FACTOR SLOWING DOWN TURKEY'S ABILITY TO RAISE
FOREIGN CREDITS IS ITS PAST NEGLECT TO MAKE ITSELF KNOWN
IN INTERNATIONAL BANKING CIRCLES. SADIKLAR WILL ATTEMPT
TO REPAIR THIS OMISSION AS HE TRIES AT SAME TIME
TO RAISE FUNDS NOT ONLY TO COVER CALL-IN OF MATURED
SHORT-TERM DEBTS BUT TO PROVIDE NEEDED DEVELOPMENT MONEY. MACOMBER

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Message Attributes

Automatic DecapTIONing: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT DEBTS, DEBT REPAYMENTS
Control Number: n/a
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Sent Date: 26-Jan-1977 12:00:00 am
DecapTION Date: 01-Jan-1960 12:00:00 am
DecapTION Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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From: ANKARA
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Line Count: 188
Litigation Code IDs:
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Litigation History: Hold (001 Tobacco) added on 4/16/2009 3:39:10 PM by WASHDCMcGoldRJ, Hold (001 Tobacco) removed on 4/16/2009 3:45:08 PM by WASHDCMcGoldRJ (Litigation Hold Lifted)
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